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**FISCAL IMPACT STATEMENT**

**LS 6869**

**BILL NUMBER:** HB 1102

**NOTE PREPARED:** Jan 23, 2012

**BILL AMENDED:** Jan 23, 2012

**SUBJECT:** Real Estate Brokers.

**FIRST AUTHOR:** Rep. Davis

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) *Licensing of Brokers and Managing Brokers*- The bill provides for: (1) the licensure of real estate brokers and managing real estate brokers; and (2) license transition.

*Eliminates Salesperson, Certifies Principal Brokers*- The bill eliminates the license for real estate salesperson and the certification for principal real estate brokers.

*Three-Year License*- The bill provides that licences issued under this article are issued for three years. (Currently licenses are issued for two years.)

*Revisions to Continuing Education*- The bill revises continuing education requirements.

*Recommendations*- The bill requires the Real Estate Education Advisory Council (REEAC) to make certain recommendations to the Indiana Real Estate Commission (IREC).

*Conforming Changes*- The bill makes conforming changes.

**Effective Date:** (Amended) July 1, 2014.

**Explanation of State Expenditures:** (Revised) *Licensing of Brokers and Managing Brokers and Elimination of Salesperson, Certification of Principal Brokers*- The Professional Licensing Agency (PLA) already certifies principal and associate real estate brokers. Any changes to the administrative workload of PLA realtor staff would hinge on the number of persons, applying for a license to be a broker, after July 1, 2014, that are able

to complete the new requirements set out in the bill. However, more strenuous requirements to become a broker could reduce the number of applicants in future years, which would reduce the administrative workload of PLA staff. Additionally, there could be some expenditure savings if the PLA no longer produces pocket cards for salespersons that had ordered them. The bill would allow a two-year phaseout of the salesperson license. Salespersons that apply for some brokers license would have to complete at least 24 hours of education and meet the other requirements for a broker license.

*Three-Year License-* The bill would give the broker license a three-year validity period instead of the current two-year period. It is possible that the additional year could spread out some of the administrative workload of license renewal for PLA staff.

*Revisions to Continuing Education-* This provision would reduce the number of persons appointed by the Real Estate Commission (REC) to the Real Estate Education Advisory Council (REEAC) from seven to five. The REC would be given the authority to approve all prelicensing and continuing education courses as recommended by the REEAC. The REC would be able to develop or approve continuing education requirements within their existing schedule of meetings. The REC is scheduled to meet eight times during 2012.

*(Revised) Recommendations-* The REEAC would be required to make recommendations to the REC for requirements for course sponsors, course instructors, curricula for pre-license education courses, rules necessary to implement these provisions, and other issues identified to implement the provision.

*Background Information-* As of September 13, 2011, there were 22,101 salespersons, 5,073 associate brokers, and 8,327 principal brokers actively licensed by the PLA.

**Explanation of State Revenues:** (Revised) *Summary:* The bill does not change existing licensing fees. However, the elimination of the salesperson license would, in effect, eliminate the \$35 fee currently charged to salesperson applicants. Beginning July 1, 2014, if more brokers were to be licensed as a result of the bill, license fee revenue would increase. (Brokers are currently charged a fee of \$60 for a license.) The change from a two-year to a three-year validity period would also factor in the timing, at least initially, of revenues received. It is uncertain if the net effect of these actions would ensure an increase or decrease in state revenues.

Similarly, the effect of the bill on the Real Estate Recovery Fund (RERF), which currently has a charge of \$4.25 per license, is unknown. The bill would also, in effect, eliminate transfer fees of \$10 per license for salespersons.

*Penalty Provision:* The bill would remove the Class A infraction penalty for acting as a salesperson without a license. The maximum judgment for a Class A infraction is \$10,000. Infraction judgements are deposited in the state General Fund. However, the potential revenue loss would likely be small.

*Background Information-* For FY 2011, real estate licensing fees generated \$980,976. The FY 2010 collections totaled \$799,663. Generally, odd-years tend to generate more revenue for this license.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Penalty Provision:* If fewer court actions occur and a guilty verdict is

entered, local governments would receive less revenue from court fees. However, any change in revenue would likely be small.

**State Agencies Affected:** Professional Licensing Agency; Real Estate Commission; Real Estate Education Advisory Council.

**Local Agencies Affected:** Trial courts, local law enforcement agencies.

**Information Sources:** *Indiana Handbook of Taxes, Revenues, and Appropriations, FY 2011 edition*; Professional Licensing Agency active license count, 9/13/2011; Professional Licensing Agency website: [www.in.gov/pla](http://www.in.gov/pla).

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